

ELLIS COUNTY CONSERVATION DISTRICT

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2011

ELLIS COUNTY CONSERVATION DISTRICT
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For the Year Ended December 31, 2011

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ellis County Conservation District
Hays, Kansas

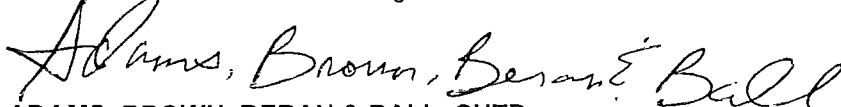
We have audited the accompanying financial statements of **Ellis County Conservation District**, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of **Ellis County Conservation District's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **Ellis County Conservation District** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Ellis County Conservation District**, as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **Ellis County Conservation District**, as of December 31, 2011, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.


ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

November 14, 2012

ELLIS COUNTY CONSERVATION DISTRICT
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories							
General Fund							
Operations Fund	\$ 41,145	-	101,653	128,285	14,513	3,840	18,353
Proprietary Fund Category							
Enterprise Fund							
Enterprise Fund	287,120	-	289,582	256,358	320,344	28,943	349,287
Total Reporting Entity	<u>\$ 328,265</u>	<u>-</u>	<u>391,235</u>	<u>384,643</u>	<u>334,857</u>	<u>32,783</u>	<u>367,640</u>
Composition of Cash							
							\$ 229,071
							<u>138,569</u>
Total Reporting Entity							<u>367,640</u>

The notes to the financial statements are an integral part of this statement.

ELLIS COUNTY CONSERVATION DISTRICT
Operations Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011

Cash Receipts

Appropriations - County	\$ 75,125
Appropriations - State	24,484
Refunds and Reimbursements	129
Division of Conservation Grant	1,115
Transfer In	800

Total Cash Receipts

101,653
Expenditures

Salaries and Payroll Taxes	83,103
Supervisors and Staff Expense	5,897
Dues and Memberships	1,153
Operating Expenses	9,449
Annual Meeting and Awards	463
County Cost Share Program	12,360
Information and Education	1,590
Equipment Purchases	14,270

Total Expenditures

128,285
Cash Receipts Over (Under) Expenditures

(26,632)

Unencumbered Cash - Beginning

41,145
Unencumbered Cash - Ending

\$ 14,513

The notes to the financial statements are an integral part of this statement.

ELLIS COUNTY CONSERVATION DISTRICT
Enterprise Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011

Cash Receipts	
Interest Income	\$ 2,332
Retail Sales and Services	182,167
No-till Drill Rent	15,109
District Building Rent	68,249
Annual Meeting Sponsors	2,575
Refunds and Reimbursements	449
KACEE Grant	445
Insurance Proceeds	18,256
	<hr/>
Total Cash Receipts	289,582
	<hr/>
Expenditures	
Supervisors and Staff Expense	4,105
Operating Expenses	1,676
Annual Meeting and Awards	5,382
Information and Education	2,120
Equipment Maintenance	9,776
Equipment Purchases	14,270
Building Maintenance and Remodeling	31,987
Grass Seed, Weed Barrier, Flags and Drill Expense	145,656
Refunds and Reimbursements	1,072
Supplemental Cost Share Program	4,364
Terrace Enlargement Cost Share Program	24,617
Windbreak Cost Share Program	2,133
Contract Labor	8,400
Transfers Out	800
	<hr/>
Total Expenditures	256,358
	<hr/>
Cash Receipts Over (Under) Expenditures	33,224
	<hr/>
Unencumbered Cash - Beginning	287,120
	<hr/>
Unencumbered Cash - Ending	\$ 320,344
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

ELLIS COUNTY CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ellis County Conservation District has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The District is a municipal corporation governed by an elected five-member board. The financial statements of the District consist of all the funds of the District that are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The District has no component units.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the District are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the District for the year ended December 31, 2011.

Governmental Fund Category

General Fund – to account for all financial resources except those required to be reported in another fund.

Proprietary Fund Category

Enterprise Funds – to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include

ELLIS COUNTY CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

The District is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

Deposits and Investments

The District follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

ELLIS COUNTY CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K.S.A. 12-1675 limits the District's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District does not use "peak periods". All deposits were legally secured at December 31, 2011.

At December 31, 2011, the District's carrying amount of deposits was \$367,640 and the bank balance was \$417,050. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, \$372,150 was covered by federal depository insurance and \$44,900 was collateralized with securities held by pledging financial institutions' agents in the District's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The District had no investments at December 31, 2011.

Compensated Absences

Annual Leave

After 90 days of employment with the District, annual leave is granted on the basis of four hours per month for all employees. For the first year of employment, annual leave can be accumulated up to 40 hours. Beginning with the second year of employment, an employee will receive 40 hours of annual leave in addition to the four hours per month and may accumulate up to 80 hours. Beginning with the third year of employment and each year thereafter, non-manager employees will receive 80 hours of annual leave and may accumulate those 80 hours. Managers will earn an additional half day of annual leave per month and may accumulate up to 120 hours. The accrued annual leave has been included in the financial statements.

Sick Leave

Sick leave is granted on the basis of eight hours per month up to a maximum of 120 hours for non-manager employees and 240 hours for managers. Sick leave may not be taken in advance of earned accrual. Accumulated sick leave will not be paid out when employment with the District ends.

ELLIS COUNTY CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Defined Benefit Pension Plan

Plan Description

The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2011 was 7.74%. The District's employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$5,044, \$4,555, and \$4,145, respectively, equal to the required contributions for each year as set forth by the legislature.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts.

ELLIS COUNTY CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reimbursements

The District records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **Ellis County Conservation District's** interfund transfers and statutory authority for the year ended December 31, 2011 were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Enterprise Fund	Operations Fund	K.S.A. 2-1407b	\$ 800

NOTE 3 – LITIGATION

Ellis County Conservation District is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the District.

NOTE 4 – RISK MANAGEMENT

Ellis County Conservation District carries commercial insurance for risks of loss, including property, general liability, workers compensation, and fidelity bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 5 – GRANTS AND SHARED REVENUES

Ellis County Conservation District participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the District, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 6 – LEASE AGREEMENT

Ellis County Conservation District entered into a lease agreement with the United States of America for the lease of a portion of the building located at 2715 Canterbury Drive, Hays, Kansas. The lease is currently a month-by-month lease for \$5,687 per month.